

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 08254 01 OF 02 181751Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----102785 181804Z /44
P 181738Z JUL 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 0919
INFO ALL EC CAPITALS
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 08254

EXDIS

USEEC

DEPT PASS STR FOR AMBASSADOR STRAUSS, GENEVA FOR MTN,
AND BONN PASS ALSO FOR AMBASSADOR WOLFF

E.O. 11652: GDS
TAGS: ETRD, EEC
SUBJECT: DENMAN ON TIDEWATER MTN TALKS

1. SIR ROY DENMAN, COMMISSION DIRECTOR GENERAL FOR EX-
TERNAL RELATIONS, LUNCHEDED WITH ME ALONE JULY 18. HE GAVE
ME HIS ACCOUNT OF SENIOR STAFF DISCUSSIONS JULY 15-16 AT
TIDEWATER INN. RECIPIENTS ARE CAUTIONED THAT THIS IS
DENMAN'S ACCOUNT SENT FOR BACKGROUND INFO ONLY; IT SHOULD
NOT BE ATTRIBUTED. COMMISSION WILL PROVIDE ITS VERSION
DIRECTLY TO MEMBER STATES AND US VIEW OF WHAT HAPPENED
WILL COME BY CABLE FROM WASHINGTON AND FROM AMBASSADOR
WOLFF WHO WILL BE TALKING WITH SOME OF MEMBER STATES.

2. DENMAN SAID SPIRIT OF MEETINGS COULDN'T HAVE BEEN
BETTER. BOTH SIDES PUT FORWARD THEIR POSITIONS, EX-
PLAINED REASONS FOR THEIR POSITIONS, AND THEN EXAMINED
TOGETHER WHAT BOTH COULD DO TO MOVE MTN TO SUCCESSFUL
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PAGE 02 BRUSSE 08254 01 OF 02 181751Z

CONCLUSION.

3. DENMAN SAID AGREEMENT ON HAVING EVERYTHING ON TABLE BY
JANUARY 15, 1978, WAS REAFFIRMED. IN ADDITION IT WAS
AGREED THAT BY NOVEMBER 1 AGRICULTURE WOULD BE ON TABLE.
OTHER INTERIM TARGET DATES CONTEMPLATED BY ORIGINAL
STRAUSS PROPOSAL HAD BEEN ABANDONED AND HE HOPED IDEA OF

FOUR SUB-PHASE TIMETABLE WAS DEAD. HOWEVER, IT HAD BEEN AGREED THAT ALL MTN SUBGROUPS SHOULD HOLD INTENSIVE "VIRTUALLY NON-STOP" MEETINGS IN SEPTEMBER IN GENEVA. HE SUGGESTED THAT WOLFF BRING US TEAM TO EUROPE FOR REPLAY OF TIDEWATER MEETING SOMETIME IN OCTOBER TO TAKE STOCK OF PROGRESS MADE AND REMAINING PROBLEMS TO BE RESOLVED.

4. DENMAN SAID PROCEDURAL ARGUMENTS OVER AGRICULTURE WERE BEHIND US AND HE HOPED THAT ON BASIS US-COMMISSION AGREEMENT DESIRED RESULTS WOULD BE ACHIEVED IN GROUP AGRICULTURE THIS WEEK. ON SUBSTANCE OF AGRICULTURE, HE SAID GUNDELACH'S WILLINGNESS TO NEGOTIATE LIMITS ON EC RESTITUTION PAYMENTS HAD BEEN CRUCIAL COMMISSION CONTRIBUTION TO BREAKTHROUGH. HE ADDED HE THOUGHT GUNDELACH WAS OUT IN FRONT OF HIS TROOPS AND THERE MIGHT BE SUBSEQUENT PROBLEMS. COMMISSIONERS HAFERKAMP, GUNDELACH AND DAVIGNON WITH THEIR RESPECTIVE DIRECTORS GENERAL WOULD REVIEW SITUATION JULY 20 AND THIS WOULD PROVIDE OPPORTUNITY TO DETERMINE WHETHER RABOT WAS REALLY ON BOARD.

5. REGARDING NTB CODES, DENMAN THOUGHT STANDARDS TEXT COULD BE PUT FORWARD FOR NEGOTIATION FAIRLY PROMPTLY, THAT GOVERNMENT PROCUREMENT WOULD BE READY BY END OCTOBER AND THAT IT CRITICAL THAT COMMISSION PUSH WITH MEMBER STATES TO GET DRAFT VALUATION CODE TABLED. IN ADDITION, HE THOUGHT SOME AMENDMENTS TO KENNEDY ROUND ANTI-DUMPING

CONFIDENTIAL

PAGE 03 BRUSSE 08254 01 OF 02 181751Z

CODE MIGHT FLOW FROM WORK ON SUBSIDY COUNTERVAIL PROBLEM.

6. REGARDING SUBSIDY COUNTERVAIL ISSUES, DENMAN SAID US WOULD NO LONGER PURSUE SO-CALLED RED LIGHT-AMBER LIGHT-GREEN LIGHT APPROACH BUT RATHER COMMISSION AND US WOULD FIND WAY TO RESOLVE PROBLEMS PIECEMEAL WITH THE CONCESSIONS MADE HIDDEN IN LARGE PACKAGE. IF I UNDERSTOOD HIM CORRECTLY, THERE WOULD BE NO SUBSIDY COUNTERVAIL CODE WHICH WOULD BE DIFFICULT TO SELL TO NINE, RATHER THE PARTS LIKE GUNDELACH'S LIMITS ON AGRICULTURAL SUBSIDIES, SOME RULES AMPLIFYING ARTICLE XVI ON INDUSTRIAL SUBSIDIES, AND US ACCEPTANCE OF INJURY RULE FOR MOST COUNTERVAILING ACTIONS COULD BE SEPARATE PIECES OF FINAL DEAL.

7. DENMAN THOUGHT THERE MIGHT ALSO BE SOMETHING ON SAFEGUARDS BUT HE SHOWED LITTLE ENTHUSIASM AND SAID THAT WHILE FRENCH AND BRITISH WANTED POSSIBILITY OF SELECTIVE APPLICATION OF ARTICLE XIX, GERMANS FOR PHILOSOPHIC REASONS WERE OPPOSED AND ITALIANS ALSO OPPOSED SINCE THEY WERE CONCERNED SELECTIVE SAFEGUARDS MIGHT BE APPLIED TO THEM. IF THIS WERE NOT ENOUGH, HE FEARED THAT LDC PRICE FOR SELECTIVITY ON SAFEGUARDS IN TERMS OF OVER-ALL GATT SUR-

VEILLANCE WOULD BE TOO HIGH TO MAKE DEAL ATTRACTIVE.

8. DENMAN SAID MAJOR US-COMMISSION DIFFERENCE AT THIS POINT WAS OVER TARIFF QUESTION. "REALISTICALLY" COMMISSION HAD CONCLUDED THAT OVER-ALL CUT IN 20-25 PERCENT RANGE WITH "NO EXCEPTIONS" WAS BEST WAY TO PROCEED. HE PERSONALLY THOUGHT A FINAL 20 PERCENT CUT ON AVERAGE TAKING INTO ACCOUNT WITHDRAWALS FROM OFFERS TO ACHIEVE BALANCE AT END

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEE.

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PAGE 01 BRUSSE 08254 02 OF 02 181808Z
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USMISSION GENEVA

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 08254

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OF NEGOTIATION WAS REASONABLE OBJECTIVE. US CLEARLY WANTED MORE AND FOR LEGAL AND OTHER REASONS (HE MENTIONED TEXTILES) COULD NOT AGREE TO A NO EXCEPTION RULE. HE WONDERED ALOUD IF WAY OUT OF THIS IMPASSE MIGHT NOT BE TO FINESSE NEED FOR AGREEMENT ON TARIFF FORMULA, LEAVING EACH PARTY TO MAKE ITS OFFERS AND EXCEPTIONS ACCORDING TO ITS OWN ANALYSIS AND THEN NEGOTIATING TO FINAL BALANCE. HE SAID HE HAD TOLD PRIME MINISTER HEATH IN EARLY '70'S THAT NEXT MTN NEGOTIATION MIGHT SEE MAJOR REVERSION TO ITEM BY ITEM APPROACH BUT HE STILL HOPED MAJOR PARTICIPANTS WOULD FOLLOW LINEAR APPROACH IN CONSTRUCTING THEIR OFFERS. ON THIS POINT, I SAID TO HIM I THOUGHT HE WAS BEING SHORT-SIGHTED SINCE IT SEEMED TO ME PERSONALLY THAT NOT ONLY WOULD ITEM BY ITEM SEARCH FOR BALANCE BE INCREDIBLY COMPLICATED BUT THAT COMMUNITY UNDER IMPACT OF PROTECTIONIST PRESSURES FROM WITHIN WOULD MISS OPPORTUNITY TO BRING US TO MAKE MAXIMUM USE OF TARIFF NEGOTIATING AUTHORITY FROM

CONGRESS FOR WHICH ADMINISTRATION HAD PAID HIGH PRICE.
EVEN WORSE, I ASSERTED, WOULD BE IMPACT OF MINIMUM USE
EXISTING AUTHORITY ON POSSIBILITIES FOR FUTURE US ADMIN-
ISTRATIONS TO OBTAIN NEW NEGOTIATION AUTHORITY IN FUTURE.
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PAGE 02 BRUSSE 08254 02 OF 02 181808Z

IT SEEMED TO ME THAT HIS "REALISTIC" APPROACH MIGHT MEAN,
IF PURSUED, THAT WE HAD COME TO END OF POST-WORLD WAR II
MOVEMENT FOR TARIFF REDUCTIONS. HE SAID HE SAW THE
POINT BUT....

9. AS FOR FUTURE PROBLEMS, DENMAN SAID IT WOULD NOT BE
SIMPLE TO OBTAIN MULTILATERAL AGREEMENT TO IDEAS US AND
COMMISSION WERE JOINTLY DEVELOPING. HE THOUGHT CANADIANS
IN PARTICULAR WOULD BE DIFFICULT AND HE ALSO EXPRESSED
CONCERN ABOUT JAPAN BUT NOTED WITH APPROVAL THAT STRAUSS
AND WOLFF PLANNED WORK ON JAPANESE IN EARLY SEPTEMBER.

10. TO MAKE JANUARY 15 DEADLINE, DENMAN SAID PACE OF GENE-
VA NEGOTIATIONS WOULD HAVE TO BE MARKEDLY STEPPED UP AND
NEW MECHANISMS FOUND FOR PROMOTING AGREEMENTS. ONE SUCH
MECHANISM WOULD BE LUNCHEONS ORGANIZED JOINTLY BY US-EC
REPS WITH OTHER KEY DELEGATIONS. THIS WAS ONLY WAY TO
AVOID HOPELESS ARGUMENTS ABOUT WHO PARTICIPATED IN MEETINGS.
IN ADDITION, A WYNDAM WHITE TYPE WAS NEEDED TO DRIVE ALL
CONCERNED TO AGREEMENTS BY PROPOSING AT THE RIGHT TIME
THE KINDS OF CONCESSIONS WHICH EACH PARTY SHOULD MAKE TO
ACHIEVE SUCCESS. OLIVIER LONG JUST DID NOT HAVE THIS TAL-
ENT AND HE WONDERED IF PERHAPS JOLLES COULD BE PERSUADED
TO UNDERTAKE SPECIAL ASSIGNMENT. WHAT WAS NEEDED, HE SAID,
WAS A NEUTRAL FORCE TO PROD NEGOTIATORS INTO AGREEMENT.
WE TALKED ABOUT HOW SUCH CONCEPT COULD BE SOLD TO LONG AND
ALSO ABOUT WHETHER OTHER FORMULAE MIGHT BE FOUND IF JOLLES
IDEA DID NOT FLY FOR ONE REASON OR ANOTHER.

11. INCIDENTALLY, DENMAN HAS TELEPHONED LONG AND FILLED
HIM IN IN GENERAL ON TIDEWATER TALKS, NOT INCLUDING IDEA
OF NEUTRAL PROD, BUT INCLUDING SOMETHING RE NEED FOR
STEPPED-UP INFORMAL STEERING MECHANISM. OBVIOUSLY CULBERT
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PAGE 03 BRUSSE 08254 02 OF 02 181808Z

SHOULD SEE LONG AS SOON AS POSSIBLE WITH OUR OBSERVATIONS
ON SITUATION.

12. DENMAN SAID HE WAS IN TOUCH BY PHONE WITH MEMBER
STATES ENDEAVORING TO PREPARE FAIRLY CRUCIAL 113 COMMITTEE

MEETING TO BE HELD HERE JULY 22. AT THAT TIME COMMISSION
WOULD FLOAT ITS LIMITED CUT-NO EXCEPTIONS IDEA WHICH AS OF
NOW DOES NOT HAVE MEMBER STATE BLESSING.

13. DENMAN EXPRESSED SOME CONCERN THAT WOLFF VISIT TO
CERTAIN EC CAPITALS MIGHT COMPLICATE COMMISSION'S EFFORT
TO OBTAIN MS BLESSING FOR JAN 15 DEADLINE. WE AGREED
DANGER EXISTED AND THAT BEST WAY TO MINIMIZE RISKS WAS
FOR WOLFF TO TALK IN GENERAL TERMS, AVOIDING DETAILS
ABOUT STRAUSS-COMMISSION AND TIDEWATER TALKS.

14. FINALLY, DENMAN SAID HE DID NOT MEAN REMARK TO BE
TAKEN IN CRITICAL SENSE BUT HE HOPED THAT NEXT TIME
STRAUSS CAME TO BRUSSELS THERE WOULD BE MORE ADEQUATE STAFF
LEVEL PREPARATION. HINTON

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